Uwe Fröhlich (left) and Dr. Cornelius Riese, Co-Chief Executive Officers

Dear Shareholders,

The COVID-19 pandemic is currently dominating public life and economic realities worldwide. The DZ BANK Group has so far coped well with the effects of this unique situation. Our position as a broadly diversified financial services group has once again proved to be a source of stability. We generated a profit before taxes of €557 million in the first half of 2020 (first half of 2019: €1.46 billion).

The past months have been characterized by a whole host of challenges – including some entirely new ones – both for us and our customers. Our dedicated employees and highly efficient IT infrastructure enabled us to maintain stable operations at all times. For many of our customers we served as a channel for development loans from Germany's KfW development bank and enabled them to access the development loans and subsidies available from KfW. In a short space of time, we processed around 32,000 applications with a total volume of more than €8 billion by working closely with the cooperative banks. We also received applications for loans totaling €1.8 billion in our direct business. Trust and partnership continued to grow thanks to this reliable collaboration in these unprecedented times.

The operating business of most of the entities in our banking group performed well. Within the scope of our 'Verbund First 4.0' strategic program, we are working intensively to improve our cost and earnings situation and are continuing to successfully pursue our growth strategy. The central institution and corporate bank experienced strong demand in its function as a lender to companies, an intermediary for capital market funding, and a market leader for payments processing. We are optimistic that we will be able to capture further market share in these areas once again in 2020. Union Investment recorded stable inflows thanks to sustained demand for fund investments. R+V Versicherung's customer business was brisk and it saw a rise in premiums earned in all insurance divisions.

The bouts of turmoil in the financial markets affected the DZ BANK Group as a major institutional investor negatively. This was primarily reflected in valuation effects, particularly in DZ HYP's government bond portfolio and R+V Versicherung's gains and losses on investments held by insurance companies. The capital markets' recovery in the second quarter slightly reduced these adverse effects overall. The severe global economic downturn – which especially affected the international movement of goods – led to an increase in loss allowances, most notably in the maritime portfolio of DVB Bank.

The key results in detail:

The DZ BANK Group's **net interest income** amounted to €1.51 billion, which was higher than the figure for the first half of 2019 of €1.33 billion. Net interest income increased substantially at the central institution and corporate bank and at DZ HYP on the back of growth, whereas DVB Bank's net interest income decreased sharply due to the scaling back of its portfolio. **Net fee and commission income** rose to €1.05 billion thanks to the healthy performance of the central institution and corporate bank and stable inflows at Union Investment (first half of 2019: €958 million). **Gains and losses on trading activities** improved to a net gain of €539 million (first half of 2019: net gain of €141 million). One of the contributing factors was the robust level of capital markets business in the central institution and corporate bank, which supported numerous transactions in bond issuance business. **Gains and losses on investments** amounted to a net loss of €15 million (first half of 2019: net gain of €130 million). This decline was mainly due to the inclusion in the prior-year figure of positive non-recurring items. The net loss of €247 million reported under **other gains and losses on valuation of financial instruments** (first half of 2019: net gain of €126 million) was primarily attributable to negative valuation effects at DZ HYP and DVB Bank. These effects were caused by the movements in the capital markets triggered by the COVID-19 pandemic. This also affected R+V Versicherung's gains and losses on investments held by insurance companies. **Net income from insurance business** fell from the exceptionally high level of €761 million in the first half of 2019 to €124 million in the reporting period. **Loss allowances** stood at €522 million (first half of 2019: €105 million). Apart from the increased allowances required at DVB Bank, there was also an addition of €165 million due to an IFRS 9-related update to the macroeconomic forecasts as a result of the COVID-19 pandemic. At €2.02 billion, **administrative expenses** went down slightly thanks to strict cost management (first half of 2019: €2.05 billion).

The DZ BANK Group's robust business performance reflects the high level of dedication shown by our employees. We would like to express our thanks and appreciation to them.

The capital situation of our banking group remains sound. The common equity Tier 1 capital ratio stood at 14.0 percent as at June 30, 2020 (December 31, 2019: 14.4 percent); the leverage ratio was 4.6 percent. DZ BANK also strengthened its hybrid capital base. Following the issue of AT1 bonds amounting to €1.4 billion in 2019, Tier 2 bonds with a volume of €1.2 billion were successfully placed in July 2020. Looking at our financial situation and capacity adequacy, we continue to believe that it is reasonable to pay a dividend for 2019. In accordance with the recommendation of the European Central Bank, we will make a decision in 2021 on the appropriation of profits for 2019.

The DZ BANK Group has maintained a strategic focus on its core business in recent years and successfully completed major transactions – such as the sale of the aviation finance portfolio at the end of 2019 – in line with this strategy. The Group is in very good shape to tackle the challenges that lie ahead. Moreover, we are seeing strong and sustained demand in our operating business at the start of the second half of the year. Nevertheless, 2020 as a whole will be marked by the deepest recession of the past 75 years. Although the German government quickly took appropriate countermeasures, further significant difficulties are likely to emerge. The number of company insolvencies will probably continue to rise. A renewed flare-up of market volatility would take a further toll on earnings. Against this backdrop, we anticipate a moderate increase in earnings in the second half of this year but are unlikely to achieve a profit before taxes of €1 billion in 2020 as a whole.

Looking ahead, we want to continue generating sustainable and profitable growth. The past few months have shown that we were right to formulate an agenda combining growth and efficiency – 'Verbund First 4.0' – that focuses on aspects such as digitization and close collaboration within the cooperative financial network.

Thanks to these efforts, we were able to increase our number of customers yet again and strengthen our relationships with existing customers. The lending volume in corporate banking increased by 9 percent year on year, while income from cross selling rose by 13 percent. In transaction banking, we are seeing strong growth in areas such as card processing and securities business; as one of the leading providers in the market, we are actively contributing to future-driven initiatives such as #DK and the European Payment Initiative (EPI). At the same time, we are working closely with all customer groups – cooperative banks, institutional customers, and corporate customers – to systematically refine our successful capital markets business.

Sustainability-oriented financial services are another major area of growth. Regulatory initiatives and the ever-broader public discourse on sustainability matters are strengthening this trend. We are seizing the business opportunities that are opening up as a result. In capital markets business, for example, we launched the world's first COVID-19 social bond on the market and are therefore playing our part as a bank in tackling the social and economic consequences of the crisis. We are also a signatory to the Principles for Responsible Banking and thus helping to support the sustainable development goals of the United Nations.

The cooperative organization has always regarded periods of upheaval as an opportunity to make an entrepreneurial contribution. Although the further course of the pandemic and the longer-term economic impact represent an equation with many unknowns, we possess the intrinsic resilience to overcome the challenges and emerge stronger from this crisis.

Kind regards,

Uwe Fröhlich
Co-Chief Executive Officer

Dr. Cornelius Riese
Co-Chief Executive Officer